

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Anchor BanCorp Wisconsin Inc. (Holding Company)/AnchorBank, fsb (Institution)

Point of Contact:	Mark Timmerman	RSSD: (For Bank Holding Companies)	727473
UST Sequence Number:	193	Docket Number: (For Thrift Holding Companies)	H1972
CPP/CDCI Funds Received:	110,000,000	FDIC Certificate Number: (For Depository Institutions)	29979
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	January 30, 2009	City:	Madison
Date Repaid ¹ :	N/A	State:	Wisconsin

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

AnchorBank originated \$749 million owner-occupied, single-family residential mortgage loans during calendar 2010.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

During calendar 2010, AnchorBank prudently underwrote, originated and sold over 5,000 owner occupied, single family mortgage loans representing approximately \$750 million. Residential mortgage loans continue to be the primary beneficiary of the CPP investment.

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☒ **Increase securities purchased (ABS, MBS, etc.).**

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☐ **Make other investments.**

☒ **Increase reserves for non-performing assets.**

AnchorBank was able to provide for increased reserves on non-performing assets.

☒ **Reduce borrowings.**

AnchorBank was able to reduce Federal Home Loan Bank borrowings and other more expensive funding sources.

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☒ **Increase charge-offs.**

AnchorBank was able to better withstand increased charge-offs of loans and their negative effect on equity capital of the Bank

☐ **Purchase another financial institution or purchase assets from another financial institution.**

☐ **Held as non-leveraged increase to total capital.**

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Had AnchorBank not participated in the TARP and received the direct capital infusion of CPP funds, it would not have been able to fully respond to the owner-occupied, single-family refinance activity noted above and previously in calendar 2009. Similarly, without the CPP funds bolstering its capital levels, AnchorBank would have been unable to originate additional consumer credit in the form of prudently underwritten second mortgage and Home Equity Line of Credit loans during calendar 2010 and calendar 2009. Furthermore, had AnchorBank not participated in the TARP and received the direct capital infusion of CPP funds, it would not have been able to generate income from the sale of owner-occupied, single-family loans referenced above, which income was able to provide added support to AnchorBank's capital levels at a time which those capital levels were under significant stress as the result of increased loan loss provisions and increased charge-off activity.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

By having the CPP funds bolster AnchorBank's capital levels on January 30, 2009 allowed AnchorBank to remain a viable credit source for both consumer and residential mortgage loans, primarily in our local markets, but also indirectly on a national basis through the purchase of mortgage-backed securities. During this period AnchorBank's capital levels were declining as a result of significant loan loss provisions and increased charge-off activity experienced in calendar 2009, and to a lesser extent in calendar 2010. Had AnchorBank not benefitted from increased capital levels as a result of the direct infusion of the CPP funds, AnchorBank would have been subject to more restrictive and punitive regulatory action which may well have prevented AnchorBank from continuing to support and participate in its core mission and competency for the past 90 years--prudently underwritten, owner-occupied, residential and consumer lending. Management also believes that the funds provided by the direct infusion of the CPP funds enabled the Bank to better manage the bridge period between the origination dates and funding dates for single family loans and the subsequent dates on which those loans were funded and/or sold to the Federal National Mortgage Association and Federal National Mortgage Corporation. Furthermore, AnchorBank believes the CPP funds have allowed it to be far more responsive than would otherwise have been possible in working with troubled borrowers on a case-by-case basis where there is information to support the use of modified payment plans in order to cure delinquencies and missed payments. AnchorBank continues to be active in troubled debt restructuring agreements with respect to its loan portfolios.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

As a result of the receipt of CPP funds, AnchorBank has been able to stabilize its loan portfolios, provide adequate reserves, and initiate seeking additional external capital to recapitalize AnchorBank.